

REGULATION F
Series of 1919.

TRUST POWERS OF NATIONAL BANKS.

I. Statutory Provisions.

The Federal Reserve Act as amended by the Act of September 26, 1918, provides in part:

(Q U O T E)

II. Applications..

A national bank desiring to exercise any or all of the powers authorized by Section 11, Subsection (k), of the Federal Reserve Act, as amended by the Act of September 26, 1918, shall make application to the Federal Reserve Board, on a form approved by said Board, for a special permit authorizing it to exercise such powers. In the case of an original application, that is, where the applying bank has never been granted the right to exercise any of the powers authorized by Section 11, (k), the application should be made on Form 61-A. In the case of a supplemental application, that is, where the applying bank has already been granted the right to exercise one or more of the powers authorized by Section 11 (k), the application should be made on Form 61-B. Both forms are made a part of this regulation.

III. Separate Departments.

Every national bank permitted to act under this section shall establish a separate trust department, and shall place such department under the management of an officer or officers, whose duties shall be prescribed by the board of directors of the bank.

IV. Custody of Trust Securities
and Investments.

The securities and investments held in each trust shall be kept separate and distinct from the general funds and securities of the bank and separate and distinct one from another. Trust securities and investments shall be placed in the joint custody of two or more officers or other employees designated by the board of directors of the bank and all such officers and employees shall be bonded.

V. Deposit of Funds Awaiting Investment
or Distribution.

Funds received or held in the trust department of a national bank awaiting investment or distribution may be deposited in the commercial department of the bank to the credit of the trust department, provided, that the bank first delivers to the trust department United States bonds, or other securities owned by the bank, of the kinds eligible for investment by the trust department, in an amount equal to the amount of the funds so deposited.

VI. Investment of Trust Funds.

A. Private Trusts:

Funds held in trust must be invested in strict accordance with the terms of the will, deed, or other instrument creating the trust. Where the instrument creating the trust contains provisions authorizing the bank, its officers, or its directors to exercise an unrestricted discretion in the matter of investments, funds held in trust may be invested only in those classes of securities which are approved by the directors of the bank. Where the instrument creating the trust does not specify the character or class of investments to be made and does not expressly vest in the bank, its officers, or its directors an unrestricted discretion in the matter of investments, funds held in trust shall be invested in any securities, in which corporate fiduciaries in the State in which the bank is located are authorized to invest under the laws of that State or under the decisions of its courts. If the laws of the State do not specify or describe the investments that may be made of funds held in trust by corporate fiduciaries, and if there is no decision of the courts of that State describing such investments, such funds may be invested in those classes of securities which are approved by the directors of the bank.

The Federal Reserve Board reserves the right in any case, however, to require a national bank acting in any fiduciary capacity to dispose of any trust fund investments, other than those made in accordance with the terms of the instrument creating the trust, which ~~it~~^{it} does not believe to be compatible with the best interests of the beneficiaries under the trust.

B. Court Trusts:

Except as hereinafter provided, a national bank acting as executor, administrator, or in any other fiduciary capacity, under appointment by a court of competent jurisdiction, shall make all investments under an order of that court and copies of all such orders should be filed and preserved with the records of the trust department of the bank. If the court by general order vests an unqualified discretion in the national bank to invest and re-invest funds held in trust, or, if under the laws of the State in which the bank is located corporate fiduciaries appointed by the court are permitted to exercise such unqualified discretion, national banks so appointed may invest in those classes of securities which are approved by the directors of the bank.

VII. Books and Accounts.

All books and records of the Trust Department shall be kept separate and distinct from other books and records of the bank. All accounts opened should be so kept as to enable the national bank at any time to furnish information or reports required by the State authorities, and such books and records shall be open to the inspection of such State authorities.

VIII. Examinations.

Examiners appointed by the Comptroller of the Currency or designated by the Federal Reserve Board will be instructed to make thorough and complete audits of the cash, securities, accounts, and investments of the trust department of the bank at the same time that examination is made of the banking department.

IX. Conformity with State Laws.

Nothing in these regulations shall be construed to give a national bank exercising the powers permitted under the provisions of Section 11 (k) of the Federal Reserve Act as amended any rights or privileges in contravention of the laws of the State in which the bank is located within the meaning of that Act.

X. Revocation of Permits.

The Federal Reserve Board reserves the right to revoke permits granted under the provisions of Section 11 (k), as amended, in any case where in the opinion of the Board a bank has willfully violated the provisions of the Federal Reserve Act or of these regulations or the laws of any State relating to the operations of such bank when acting in any of the capacities permitted under the provisions of Section 11 (k) as amended.

XI. Changes in Rules.

These regulations are subject to change by the Federal Reserve Board; provided, however, that no such change shall prejudice any obligation undertaken in good faith under regulations in effect at the time the obligation was assumed.

March 20, 1919.